Vacuums Continue to Clean Up Consumer Dollars

Nationwide DSN Report

In the November 1927 issue of *National Geographic* there was an advertisement for an upright vacuum cleaner for $59.50.

A recent Ames circular advertised a Eureka canister vacuum for $59.99 on sale plus another model for $69.99.

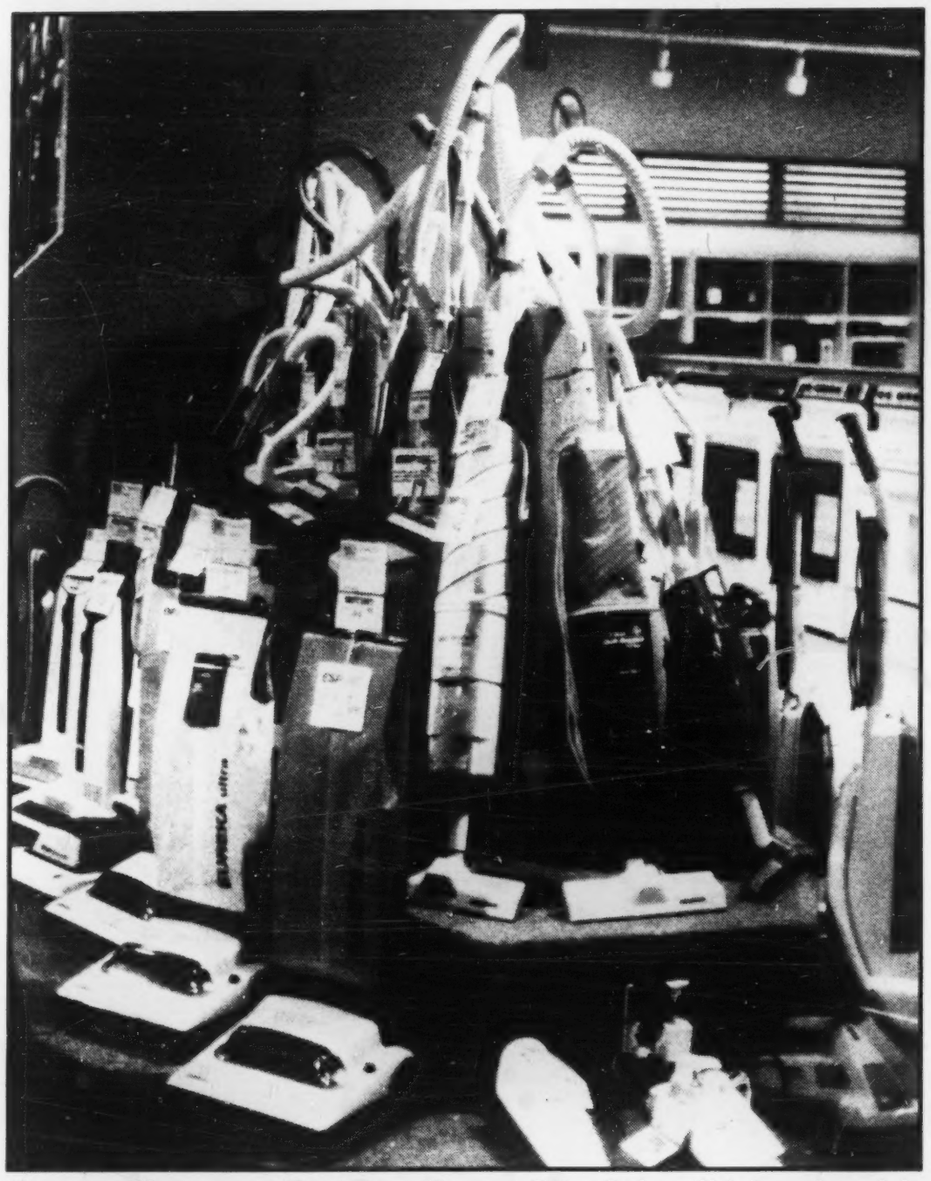
Aside from having similar price points, current model vacuums perform much better than earlier-made machines and include many more features, options and accessories. Obviously, a $59.99 vacuum is a promotional model in 1990.

The relative price stability in the vacuum cleaner industry is a by-product of many factors including advanced technology, factory automation, and the wide assortment of products at numerous price points and quality levels.

Today, vacuums are available at retail for upwards of $59—sometimes less on sale—and it's a much better unit than the one sold in 1927, said Cliff Wood, executive secretary of the Vacuum Cleaners Manufacturing Association, North Canton, Ohio.

Generally, consumers purchase vacuum cleaners at the mass market for $59 to $199. Model units priced too far over $100 tend to diminish in popularity, sources said, noting that the most popular price for a model seems to be about $89.

However, the market for more expensive models is beginning to grow, particularly at catalog showrooms and membership warehouse clubs which cater to a more diverse and affluent customer base.



Vacuum Cleaners at Best Buy, Kansas City: *Sales of high-end models are picking up, especially at CE retailers and catalogers.* (DSN photos)

PACE, El Monte, Calif.: *Warehouse clubs are now offering their customers in-store demonstrations of models such as Eureka and Hoover.*

For example, Electrolux, a high-end vacuum cleaner that was sold door-to-door for many years, has found its way onto retailers shelves. Retailers such as Service Merchandise, Consumers Distributing and Price Savers Wholesale Warehouse now stock and promote Electrolux with their regular mix.

Including Electrolux at Price Savers was a strategic decision, said Phil Sutterfield, vice president, merchandising at the 14-unit, Salt Lake City-based wholesale club chain. Three months ago, Sutterfield pared his inventory to make room for two Electrolux models that carry price tags of about $300.

Sutterfield feels his 15 percent to 40 percent "price-value" advantage make the addition of the upper-end models attractive to his customers. In-store demonstrations of Electrolux and Hoover—four sku's—provide greater exposure to the category and help swell sales.

A $2 billion at-retail industry, vacuum cleaners have set new sales records every year for the past five years, said Wood of the Vacuum Cleaners Manufacturers Association.

In 1989, unit sales are expected to total 11.4 million, up 7.5 percent from 1988. In 1990, Wood anticipates sales will rise between 5 percent and 7 percent, to over 12 million units. Sales should continue to be particularly strong with uprights, which constitute more than half of all unit sales followed by canister models with 35 percent and the balance in stick models, according to industry sources.

About 25 percent of all vacuum cleaners are sold by mass merchants, many of whom are increasing the size and scope of their departments to meet the increasing demand for newer model vacuums.

"I'm constantly amazed at how well we're doing," said Wood. "The economy isn't that great, yet we do well. We're on a roll."

Vacuum cleaners are a 12-month business sold primarily to replace existing models. Vacuum cleaners are owned by 95 percent to 98 percent of all American households, the highest penetration of any household appliance, sources reported.

However, helping to drive the market to new heights is a trend toward multiple unit ownership, supported by busy schedules and the need for easy and convenient household appliances.

In fact, approximately one-third of all households already own more than one vacuum unit: a regular model for thorough cleaning; a stick model for light cleaning; and a hand-held vacuum for spot cleaning. That trend is expected to continue, sources said, and mass merchants will be the prime beneficiaries since name brand merchandise and value-pricing are the hallmarks of the industry.

Interestingly enough, vacuum cleaners are not selling because consumers have gotten more fastidious about their homes. Quite the opposite. In fact, 20 years ago, consumers, typically the woman, spent about 30 hours a week cleaning her home. That time has been reduced to approximately 11 hours a week.

Manufacturers are doing more than digesting those statistics, they are acting upon them.

Examples of this include: Black & Decker, the housewares/hardware manufacturer, which entered the vacuum cleaner market several years ago; Electrolux, which purchased Regina last year, thereby opening up retail avenues for the one-time door-to-door brand; and Sharp, better known for its consumer electronics and its worldwide vacuum business, which entered

(Continued on page 30)

Vacuum Facts

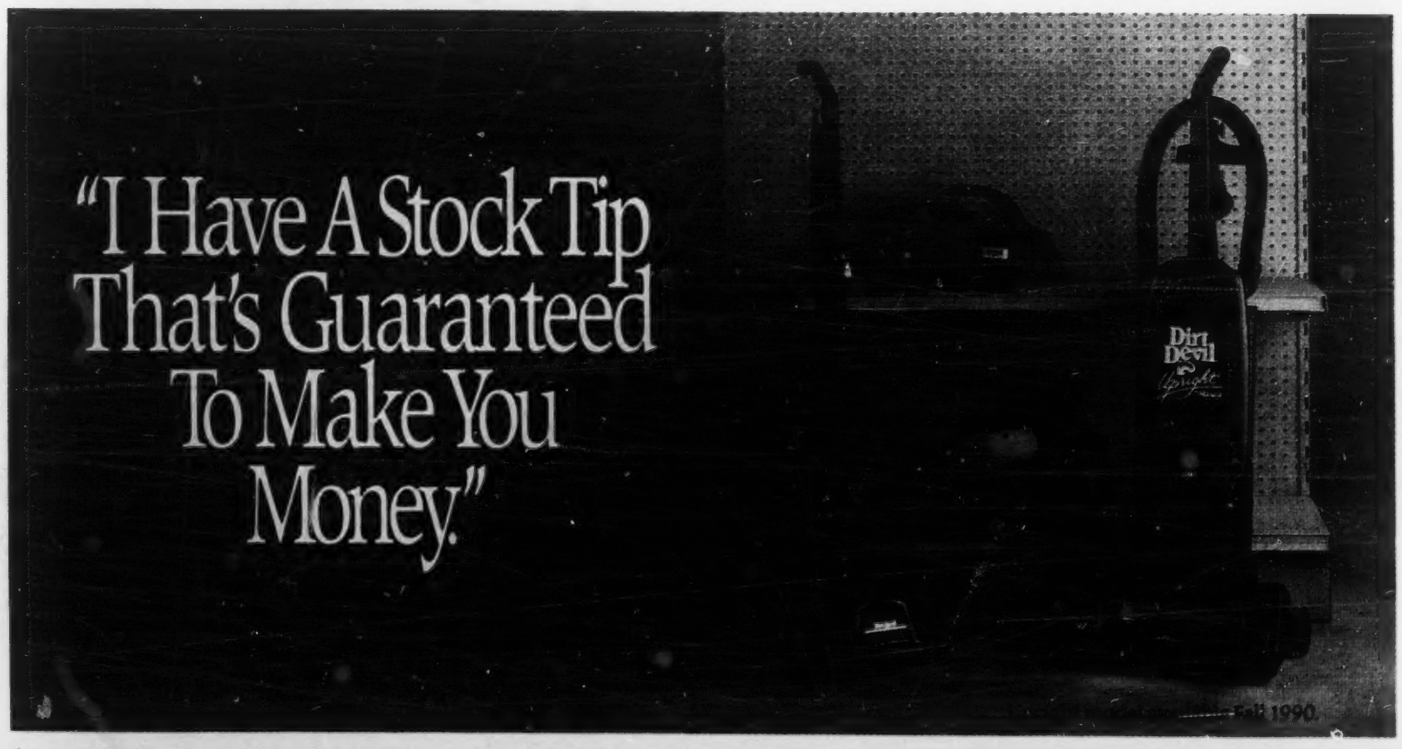
Household Penetration: 95% to 98% of households own at least one vacuum

Dollar Size of Market: $2 billion

Unit Size of Market: 11.4 million units sold in 1989, 7.5% increase over 1988. Over 12 million units expected in 1990

Price Range: $59 to $199 per unit

Source: DSN research



Just put Dirt Devils on your shelves and watch them move. And this year, they're going to move faster than ever. That's because in every month of 1990, we're going to get the word out on the entire Dirt Devil line including our new upright model. On radio, your customers will hear about us from Paul Harvey, America's most popular and respected radio journalist. Your customers will read about us in the nation's leading consumer magazines. And we'll also be running more network television spots than ever before. So stock the entire Dirt Devil line. And I guarantee you'll start cleaning up. Call us at 1-800-321-1134 (1-800-362-5509 in Ohio).

John G. Balch
President,
Royal Appliance

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HOME PRODUCTS

Vacuum Cleaners Soar

(Continued from page 28)
the U.S. market five years ago and now is developing its customer base.

Bissell, popular for its stick vacuum models, is currently developing items for late 1991 that would expand its product lines beyond its current mix of convenience cleaning equipment, said Jim Kindley, vice president, marketing for Bissell.

"The mass market is best suited to sell brands at value," said Kindley. "And we certainly want to continue participating in that."

New, improved models are expected by most manufacturers, however, line additions are closely guarded. Hoover and Singer were expected to introduce new models at the Housewares Show in Chicago as were other vendors.

Retailers, too, are reportedly expanding their vacuum departments to take advantage of the high ticket sales, the 20 percent to 25 percent gross margins, and rising price points.

One Midwest retailer, who asked not to be identified, said this year he increased his department size from 8 feet to 12 feet to accommodate three new sku's he added. In addition, the buyer anticipates adding another one to two sku's this year to the nine he already offers.

Business for this Midwestern retailer is up 30 percent from a year ago on top of a 50 percent increase in 1988.

Apparently vacuum cleaners are performing well for Service Merchandise, too. The cataloger offers 40 vacuum cleaners, 22 of which are uprights, 13 canisters, four stick models and two carpet sweepers plus hand-held vacuums, carpet machines and wet-dry vacs. A year ago, Service Merchandise offered 36 vacuum cleaners, 19 of which were uprights, 12 were canisters and five were stick models.

MANUFACTURER NEWS

ARLINGTON HEIGHTS, Ill. — **Spartus Corp.**'s clock and lighting product development group has split into two separate departments to encourage greater diversity in new product development.

Alex Kowalenko, former vice president of product development, has been named vp, merchandising, a new position. He will oversee Janice Latimer Tonyan, director of design, clock division and Charles Flynn, director of design, lighting division. Both design directors joined the company in 1984.

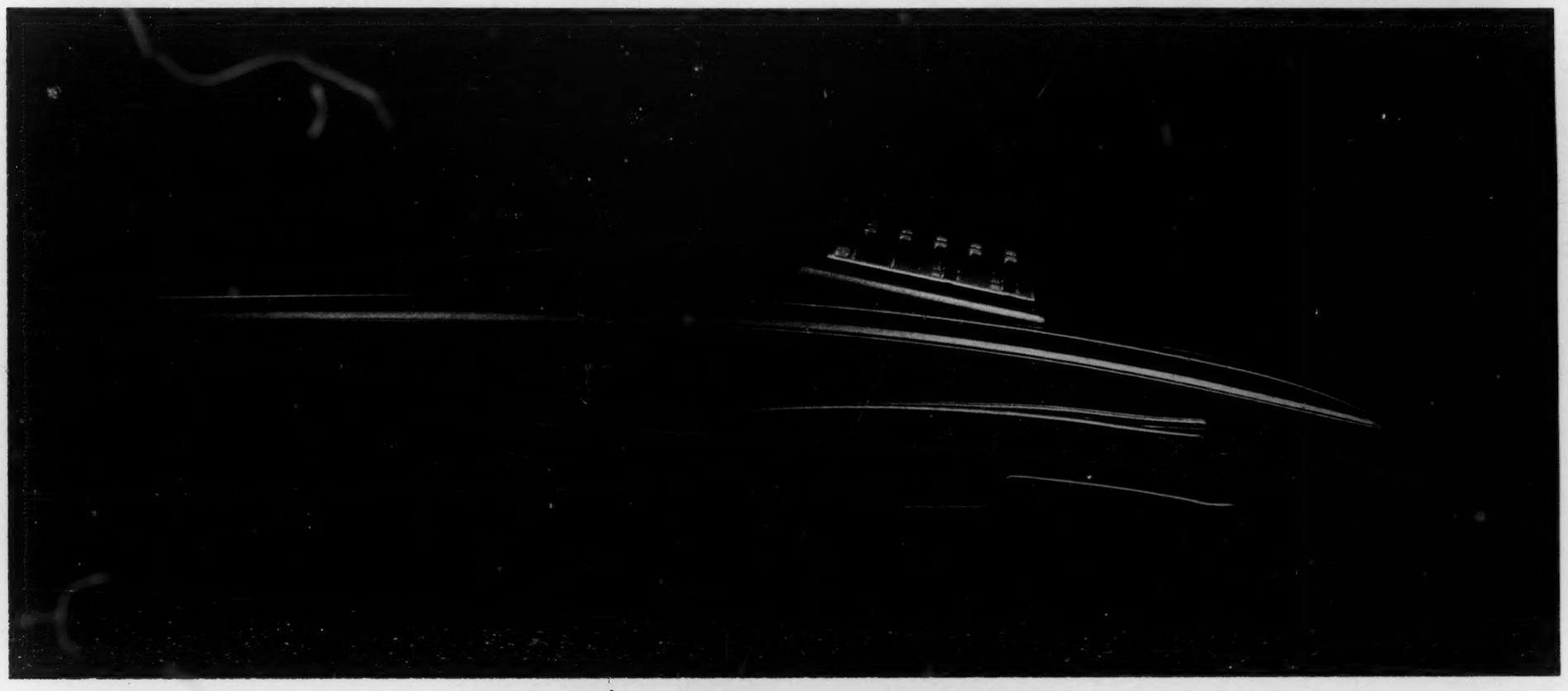
* * *

WASHINGTON — **Black & Decker** has settled a Federal Trade Commission complaint alleging that the small appliance manufacturer misrepresented endorsements for its Automatic Shutoff Iron.

The agency had charged that advertising for the Black & Decker iron misled consumers by stating: "Only one iron has the exclusive endorsement of the National Fire Safety Council" and "All irons should come with this seal. Only one does."

According to the commission, such statements incorrectly implied that NFSC is an organization "with expertise in the evaluation and testing of appliance fire safety and that the group had "conferred its exclusive endorsement" on the Black & Decker iron "on the basis of an independent, objective and valid evaluation or test, using generally accepted procedures."

In signing the consent agreement with FTC, officials of the Maryland-based manufacturer agreed that the company would not represent that a product had expert endorsement "unless the endorser has the expertise represented" and has conducted valid tests of the product. They further agreed to maintain test reports and other information used to document any future claims for a three-year period.



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LICENSING 1990

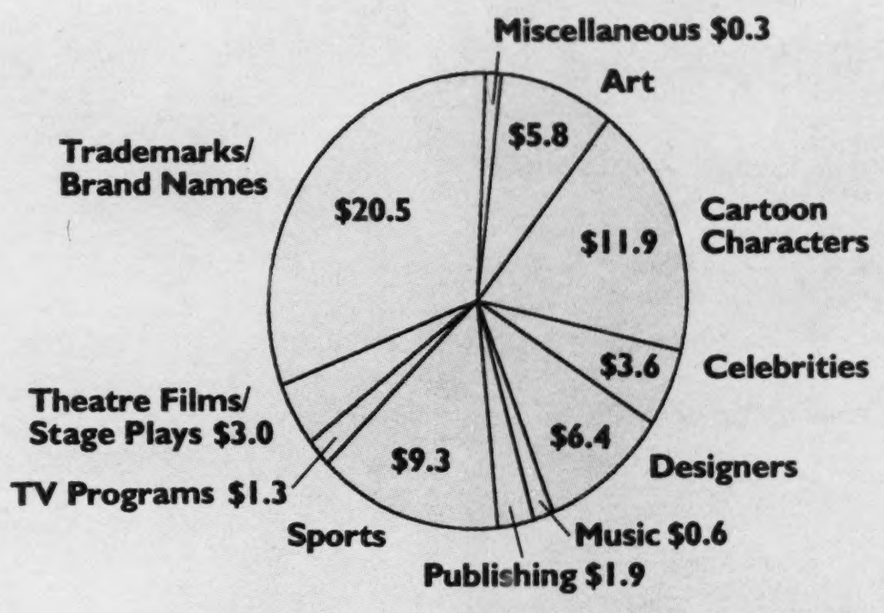
Licensing Sales By Product Category

(In Billions)

Source: © 1990 New Market Enterprises; The Licensing Letter, January 1990.

Licensing Sales By Property Type

(In Billions)



Source: © 1990 New Market Enterprises; The Licensing Letter, January 1990.

Licensing: Name of the Game in Toys

Nationwide DSN Report

Over the past decade, the toy industry share of licensed products has slipped from a dominating 80 percent share to 12 percent of the total in 1989, down a point further from 13 percent in 1988.

But shed no tears for such hot properties as Teenage Mutant Ninja Turtles and Batman licensed goods, because licensed toys and games still accounted for more than half of retail sales of toys in both 1988 and 1989.

Retail sales of licensed toys and games totaled $7.8 billion in both 1988 and 1989, estimates *The Licensing Letter*, a Scottsdale, Ariz., newsletter that has been tracking the licensing industry for more than 10 years.

In 1988, retail sales of toys (excluding Nintendo video game products) totaled $12.75 billion, meaning licensed goods accounted for 61 percent of the market.

The Toy Manufacturers of America will release its estimate of 1989 retail toy sales at next month's Toy Fair in New York.

Even though the toy share of licensed sales slipped last year, the total value of all licensed goods rose 8 percent to $64.3 billion last year from $59.8 billion in 1988.

Thanks to that larger base, the dollar volume of licensed toys held steady in 1989, even though its share of the market slipped. "The toy year wasn't that great," said Arnold Bolka, publisher of *The Licensing Letter*.

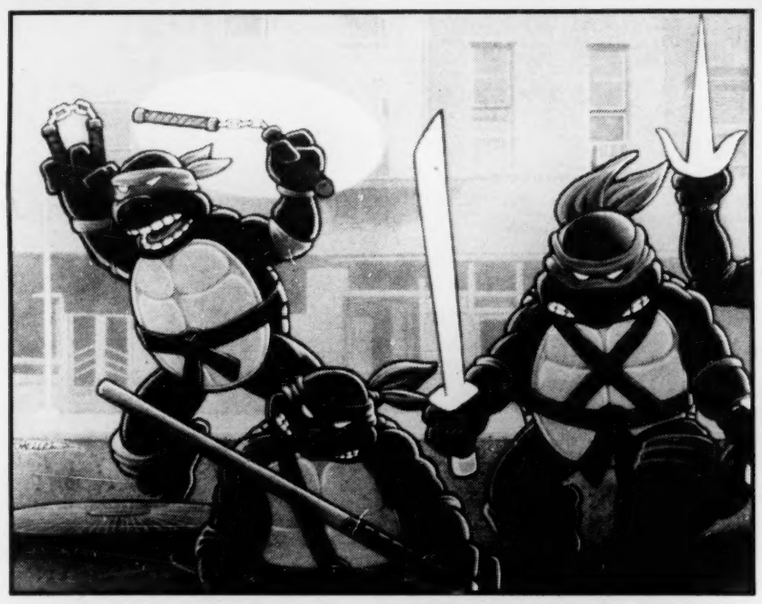
More important, other categories are growing, he said. Apparel and accessories, for example, increased to 35.5 percent of the total pie in 1989, Bolka calculated in his year-end review of licensing.

A decade ago, toys were the early and No. 1 user of licensing, Bolka said, when the total licensing industry accounted for about $5 billion in sales. Toys now holds a No. 2 spot.

Although apparel has opened a wide lead over toys, the toy share of licensed products currently looms larger than the entire total of licensed merchandise that existed 10 years ago.

Looking ahead to 1990, Bolka said, "as the toy business goes, so goes licensing."

Toymakers "know the power of licensing," Bolka said. "They constantly are looking for ways to apply licensing technology to the design and marketing of toy lines."



***Teenage Mutant Ninja Turtles** has gained such popularity that its name is being licensed for other categories.*

With its Teenage Mutant Ninja Turtles, the most popular 1989 toy after Nintendo, Playmates, La Mirada, Calif., particularly is enjoying the licensing boom. Ninja Turtles was licensed to Playmates from its comic book origins and has gained such popularity that its name is being licensed for other categories, such as apparel.

Last year, of course, was the Bat Year, and Batman licensed toys from Toy Biz did extremely well, Bolka said.

Toy Biz shipped between $75 million to $100 million worth of Batman action figures, playsets and vehicles, said Robert Pagano, vice president, marketing. "We produced to capacity and could have sold more. How much more is anybody's guess." Those guesses ranged up to twice as much.

"We're looking forward to a second good year," Pagano said. Toy Biz will be introducing new products at the Toy Fair, Pagano said, but he declined to release any information about them.

Ghostbusters from Kenner were also strong, Bolka said.

And contrary to popular belief, Cabbage Patch still ranks high for licensed toys and games, he said.

As if to ratify his opinion, Original Appalachian Artworks, Cleveland, Ga., announced it has signed two more licensing agreements for toys based on the Cabbage Patch license it holds. Chilton Globe will make children's tea sets and cookware, and Rose Art will make activity sets, such as paper doll and latch-hook sets, OAA announced.

They join Playskool, which makes a children's "ride-on" and Milton Bradley, children's puzzles.

Their parent, Hasbro, holds the license to make Cabbage Patch Kids themselves and expects to sell $100 million worth of the dolls and new accessories, such as doll strollers, playpens, rockers and carriers this year.

(Continued on page 49)

Will Dick Tracy Nab Merchandising Niche?

Is there apparel licensing life from movies after "Batman"?

Well, Walt Disney Productions is banking on that venerable square jawed private eye, "Dick Tracy," to nab some major box office and merchandise dollars this summer, when the studio releases the potential blockbuster movie in theaters nationwide in June.

"Dick Tracy" stars Warren Beatty as the famous comic book dick, and the big-name co-stars include Madonna as "Breathless" Mahoney and Al Pacino as Al "Big Boy" Caprice.

Disney has been on a big box-office winning streak of late, with such hits as "Three Men and a Baby," "Good Morning Vietnam," "Who Framed Roger Rabbit," "Honey, I Shrunk the Kids," "Dead Poets Society" and "The Little Mermaid" to the studio's credit.

The licensing/merchandising gears for "Dick Tracy" are already being greased. In apparel, the plum licensing category—the one for T-shirts, mock-Ts and fleece tops—has gone to Village Mews, the Van Nuys, Calif.-based T-shirt designer and manufacturer.

Village Mews has exclusive rights as the "Dick Tracy" licensee in those apparel categories, and designs will feature a blend of situation art related to the key characters, along with social expression art that ties into the movie concept developed by Disney.

According to Village Mews,

(Continued on page 49)

I · N · S · I · G · H · T · S **LICENSING 1990**

Stationery Licensers Stand By Old Standbys

Before hot properties are added to a lineup, their staying power is completely scrutinized

Nationwide DSN Report

When it comes to licensed characters and designs in stationery, classic is best.

Manufacturers and retailers alike report that old, familiar characters such as Mickey Mouse and others from Disney, Sesame Street, Peanuts, Garfield, Ziggy, and the about to be relaunched Holly Hobbie, comprise a partial list of old standbys that turn in consistent sales year after year.

However, many manufacturers and retailers said they are avoiding the "hot" properties. These are the characters or themes that rush the market, soar and fizzle quickly, many times before product even reaches retail shelves, and sometimes even before samples are made. Potential hot properties are being scrutinized more than ever before they are added to a lineup.

Overall, the licensed products business has been growing at between 5 percent and 7 percent annually. But last year, licensed products grew by 8 percent over 1988 to $6.8 billion at retail, according to the 14th Annual Licensing Industry Survey released by The Licensing Letter, Scottsdale, Ariz.

Licensed stationery goods, which is part of the survey's publishing/stationery category, accounted for 10.5 percent of all licensed product sales in the $64.6 billion business.

Effective Marketing Tool

"When used properly, licensing is an extremely effective marketing tool," said Murray Altchula, executive director of the Licensing Industry Merchandisers Association. "It is a borrowed image with a consumer acceptable brand image."

However, that brand image must be carefully affixed to products, both manufacturers and retailers have learned. Simply applying a well-known licensed character to a product doesn't guarantee success.

For example, Linda Harrison, stationery buyer at Stuarts, the Hopkinton, Mass.-based discount store chain, was "very disappointed" with the sell-through of Mickey Mouse products two years ago during Mickey's 60th birthday celebration.

Harrison said Stuarts basic customer is "not fashion-forward and is not willing to pay the extra 10 cents for a colored portfolio much less 50 cents for Mickey Mouse."

However, the Disney characters sell very well in the greeting card department where the same customer will spend the money for the character cards and gift wrap.

Although Stuarts, like many other chains, is avoiding characters that are too trendy or faddish, a certain amount of risk is necessary to keep the business fresh. Harrison said she will soon test a small number of novelty products in posters with the "New Kids On The Block" musical group.

At Hills Department Stores, Canton, Mass., licensed properties perform a little better than they do at Stuarts. But Ted Wyman, divisional merchandise manager, is still cautious about the number of licenses he uses and, like Harrison at Stuarts, is careful about which products he selects for licenses.

Licensed goods represent a significant part of the stationery business at Hills, Wyman said, noting that it will never be more than 10 percent to 15 percent of total sales.

Licensing could be stronger at retail, said Wyman, if the licensers work together to devise moveable mini departments encompassing all of their licensed products.

For example, last year Wyman set up his own Disney display complete with soft goods, toys, and other hard goods at the front of the store. The special three-week program did very well, Wyman said. And the effect of the display was so strong because it showed continuity across merchandise lines. The concept could, in Wyman's estimation, curtail the number of "flashes in the pan" and create more reliable sellers out of mediocre ones.

Wyman plans to do a similar licensing promotion this year, although he has not yet chosen a license.

As important as licensed goods are to retailers, they are even more important to the manufacturers who create them since they must devise programs that appeal to a wide range of customers.

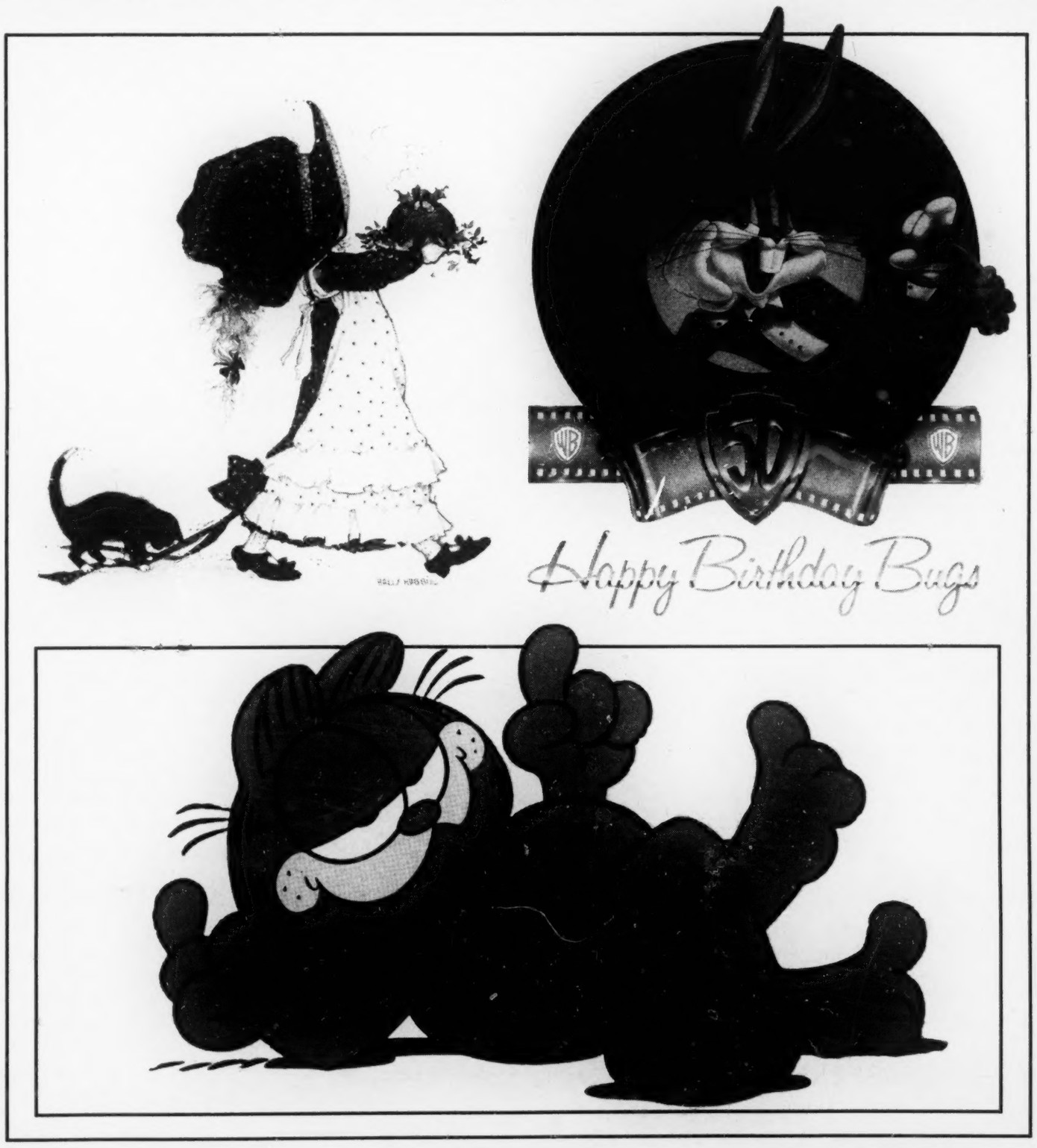
Licensed properties account for approximately 10 percent of a company's total program, sources report. Choosing correctly is imperative since licensing is a relatively expensive endeavor. The upside is great, obviously. The downside is painful.

Internal Development

Licensed properties are brought about in one of two ways: from established characters or themes already in the media; or developed internally and then sold to various companies for a wide range of products. Obviously, internal development is the cheap way to go but not all companies are positioned to create all of their own designs or characters.

Bringing on licensed properties translates into dollars and cents for upfront costs, guaranteed minimums, expenses associated with artwork, royalty fees and inventory investment.

Therefore, a greater number of companies than ever before are concentrating on the classic characters and banking on their staying power.



Among the many new releases this year is Holly Hobbie by American Greetings, Paddington Bear, Tom and Jerry cartoon characters, the Little Golden Book Land characters by Sangamon, and Alvin and the Chipmunks by Ambassador. Also at Ambassador, Star Trek and Disney's Winnie the Pooh are scheduled to be launched in 1991, explained Susan Meek, manager of licensing acquisitions for Hallmark Properties, which is the licensing arm for Hallmark and Ambassador.

Unlike most other companies, Hallmark Properties isn't looking for a licensed program weighted to the classics. Instead, both Hallmark and Ambassador are interested in a more balanced approach of fad to classic characters, the percentage of which varies by the year and consumer needs, explained Meek.

Classics Thrust of 1990s

Licenses heavily geared to classic characters is the 1990 thrust at Gibson, Sangamon, and American Greetings.

Gibson, which holds the licenses to the standard Disney characters, Sesame Street, Muppets, Hanna-Barbera characters, and Roger Rabbit, among many others, is trying to balance its licensed properties to include a mix of well-known characters and some "smaller ones," said Greg Ionna, vp, marketing.

"You don't necessarily have to be the most recognized characters to be successful and just because they are doesn't mean they'll be successful," he said noting that Gibson does well with the Golden Girls characters, Matchbox, and Off the Leash, among others.

American Greetings, which started with Ziggy in the 1960s and is about to relaunch Holly Hobbie—first released in 1967—has experienced tremendous success with internally developed characters such as Care Bears and Strawberry Shortcake through its Those Characters From Cleveland subsidiary.

Mead and Stuart Hall, stationery manufacturers with strong back-to-school businesses, report they too are concentrating on the classic characters.

In 1990, Mead will show a greater interest in licensed properties, said Mark Rexroad, product development manager for the Dayton, Ohio-based company. Mead is introducing Looney Tunes characters at the Back-To-School Show including Bugs Bunny and Tweetie Bird, and concentrating a lot of energy on its own internally generated program, Super Shades.

At Stuart Hall, Lisa Frank, the artist and designer, will be spotlighted as will Sesame Street and Holly Hobbie, said Charles Hanson, chairman.

Stuart Hall is particularly careful about the licenses it offers, Hanson said, noting that the stationery manufacturer consults color groups, apparel vendors, and magazines, and conducts focus groups "to be sure everyone is on target."

Apparently, the hard work paid off for Stuart Hall. Licensing grew from 3 percent to 9 percent of its total business last year, and sales increased 450 percent.

Licensing: Name of the Game in Toys

(Continued from page 45)

Toy licensing falls into two general categories: basic standbys such as Disney and Sesame Street; and topical properties, such as Batman and Ghostbusters.

Toy Biz holds the Batman license through 1990, when Kenner takes it over. The big question is whether Batman will still be hot when the movie sequel, "Batman II" comes out sometime after 1990.

Kenner did well with Ghostbuster II action figures last year, and will reportedly introduce a line of Beetlejuice figures, based on the movie and Saturday TV cartoon series, at the Toy Fair.

Beetlejuice was sort of Ghostbusters in reverse, featuring ghosts devising ways to eject real people from a house.

Showing the wide variety of licensing schemes, Toys "R" Us has an exclusive line of toys licensed from the teen flick, "Back to the Future II", starring Michael J. Fox. The line includes a $150 ride-in toy car based on the movie's DeLorean sports car that serves as the time machine.

Banking on 'Robocop II'

Indicating the power of licensing, Kenner confirmed it sold roughly $100 million worth of Robocop products last year and is banking on another strong surge when the movie sequel, "Robocop II", is released in June.

Disney hopes to make a splash with toys licensed from "The Little Mermaid" and already has signed licensing deals with Tyco and Western Publishing.

Sports and corporate licensing have become more popular while Saturday morning licensed toy cartoon shows have declined and are not as strong as they once were.

A number of licensing properties are celebrating 50-year anniversaries, such as "Gone With the Wind", "The Wizard of Oz", Bugs Bunny, Tom & Jerry and Bozo the Clown, presenting further opportunities this year.

Basic staple properties, such as Disney, Sesame Street and Bugs Bunny, are doing "exceptionally well," said Murray Altchuler, executive director of the Licensing Industry Merchandisers' Association.

Sports licensing, a relatively new category, has "absolutely exploded," Altchuler said, including toys.

Kenner, for example, makes a line of professional football action figures decked out in team uniforms and logos, Altchuler said.

Kids can choose from among hundreds of action figures based on professional football, baseball, basketball and hockey players, he said.

Corporate licensing is a category "that has shown the most dramatic expansion in the licensing industry," Altchuler said.

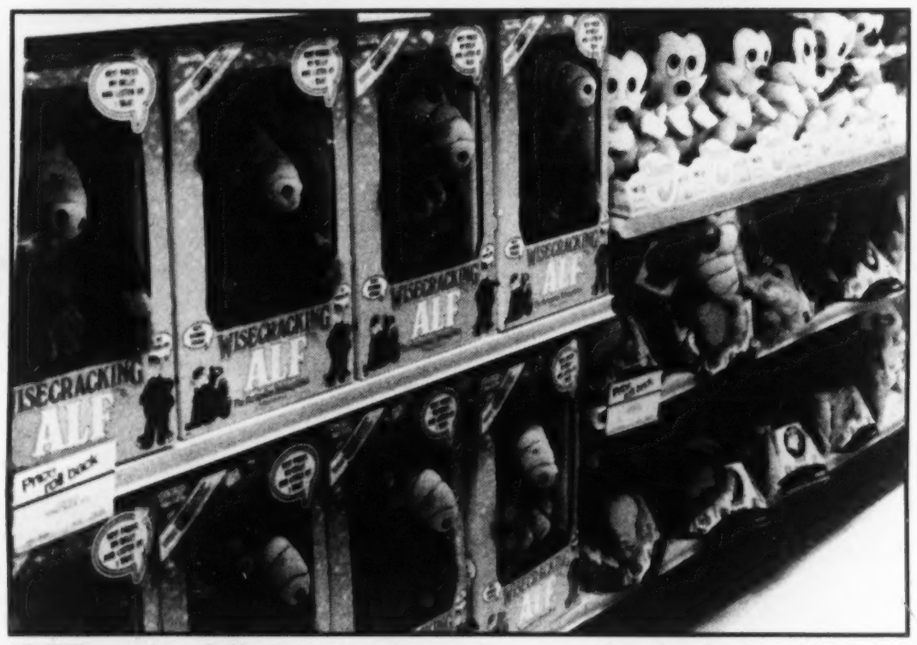
In toys, an example would be a tanker truck that carries the Hess Oil or Texaco flag, he said.

Saturday mornings licensed toy cartoon shows have declined and are not as strong a factor as they once were, he said. "It's an up and down situation," Altchuler said.

"A lot of animated stuff has gone off the air as the TV market fractured under the competition of cable and video." But a "lot of noise" has been made about the decline, he said, that isn't entirely accurate.

"Toys have always been closely associated with licensing," he said. "Toys were the pioneers."

The first licensed product of modern times was a Howdy Doody doll, he said.



Toy licensing falls into two general categories: *basic standbys and topical properties.* (DSN photo)

Will Dick Tracy Nab Merchandising Niche?

(Continued from page 45)

a variety of Dick Tracy designs "will be time-released throughout spring . . . to generate ongoing momentum leading up to the movie's June 1990 release." The all-cotton heavyweight garments are available for spring delivery.

In addition, there are two other big summer movie sequels that have potential to generate big licensed sales in apparel—"Gremlins II" and "Robocop II."

But it will undoubtedly be up to Dick Tracy to break the lock that Nintendo/Super Mario Bros., of the electronic game, and Teenage Mutant Ninja Turtles, the popular comic book and cartoon characters, have on the all-important boys' sizes 8 to 20.

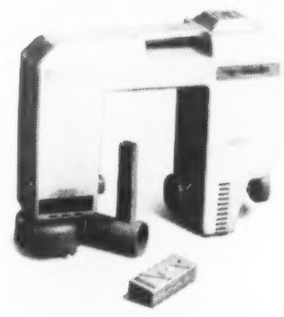
While "Batman" is still a force in that category, Nintendo and Teenage Mutant Ninja Turtles are proving to have more staying power. It's difficult for a movie—basically a one-time "event"—to generate strong sales beyond a couple of seasons. "Batman" got a bit of a holiday lift when the videocassette was released in mid-November, an unprecedentedly short five months after opening in theaters.

On the other hand, licensed apparel from very popular games like Nintendo, which is always releasing new software, and cartoon characters like Ninja Turtles, with new episodes every Saturday morning, allows a continual freshening of the licensed product name, keeping it in front of the young consumer.

Apparel is the single largest category of licensed products. According to *The Licensing Letter*, retailers sold $22.93 billion worth of licensed apparel, or 35.5 percent of all licensing.

Licensed apparel from games like Nintendo, *which is always releasing new software, keeps it fresh in young consumer's minds.* (DSN photo)

Find out what's creating all the stir.



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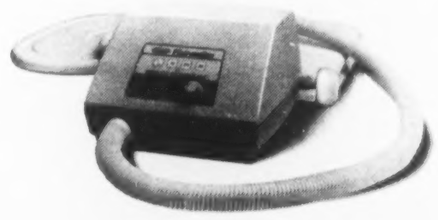

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Apparel Off-Pricers Benefit From Campeau's Fiscal Woes

(Continued from page 1)

Consumers were asking themselves, "why shop at Marshalls?" when department stores were offering deep and broad discounts, often with an extra 25 percent off for private charge card customers, Goldstein said during a meeting held by Montgomery Securities last month in New York.

Department store promotions had a "definite impact on Marshalls" and other off-pricers, Goldstein said. "We could almost smell a difficult fourth quarter," he said.

Buyers were ordered to be more cautious about buying from bottom-tier vendors, whose goods always are available, Goldstein told *DSN*.

At the same time, Marshalls took advantage of the availability of merchandise from top-brand vendors that chain had been trying to buy from for years, he said.

Moreover, Marshalls was able to stockpile merchandise at especially sharp prices for new store openings in the first half of 1990. The availability of better quality goods continues to increase, he said.

In response to department store promos, T.J. Maxx launched for the first time Christmas promotions of its own, chairman Ben Cammarata told the security analysts. "Department stores were giving away merchandise."

The T.J. Maxx promos included a 25 percent off sweater sale, a costume jewelry promo at $6.99 and a red tag sale of merchandise priced at half the usual T.J. Maxx price.

T.J. Maxx maintained its margins, however, because the merchandise either was specially purchased or already scheduled for automatic markdowns, Cammarata said.

Department store promotions hurt chains such as Dress Barn and Hit or Miss (owned by T.J. Maxx parent TJX Cos.) more than it did Marshalls or T.J. Maxx, Cammarata said. Hit or Miss had to take larger than planned markdowns in December and January, he said.

Henry Jacobs, chairman and ceo of Spartansburg, S.C.-based One Price Clothing Stores, said following the Campeau bankruptcy filing that current merchandise surpluses may begin to dry up.

"Vendors know where they stand now," Jacobs said. One Price was able to obtain better quality garments to offer at its single price of $6.

NBO president and ceo Gene Kosack said that his men's apparel chain now is able to buy seven or eight designer labels "that we have wanted to buy for 10 years.

"Vendors now see that it's to their advantage to do business with us," Kosack said.

NBO can buy for as much as 40 percent to 50 percent below wholesale, whereas the normal range is 15 percent to 25 percent, he said. Campeau's problems are not solved, just postponed, Kosack said. When vendors realize that, they will make even more merchandise available to off-pricers, he said.

In December and January, Burlington Coat was getting merchandise at some "amazing prices" as much as 50 percent below line, instead of 25 percent, an outerwear buyer said. The market was "sort of desperate," the buyer said.

Campeau's problems also enabled Burlington Coat to move up in quality of merchandise, including many designer labels, the buyer said.

But the buyer was unable to predict how long the chain's "good fortune" will last.

MedClub, MedChoice Flourish in California

(Continued from page 3)

Despite this overwhelming percentage, Morgan said it is still necessary to have the store locations, as the company has found its customers do like to come in periodically and actually see and compare the products offered.

Although the two chains started off in separate parts of the state, they began butting heads in the same market last October. Within a period of a few days, MedClub opened a unit in Van Nuys, Calif., and MedChoice opened in Woodland Hills, Calif., at opposite ends of the San Fernando Valley in Los Angeles.

Since opening their first locations, both companies have made some changes in their mix, with more emphasis now falling on the dental profession at both chains. In this area, MedChoice is somewhat stronger with its very extensive offering, particularly in dental instruments.

MedClub has taken a stand in office food/drink supplies like coffee, plastic cups, soda and juices, while MedChoice has skipped this category. MedChoice, on the other hand, is much deeper in the apparel department.

Both chains started out with a relatively traditional warehouse appearance, but have made some changes. MedClub initially began with a 60,000-square-foot site in San Diego, but has since scaled this back to 45,000 square feet, and will probably eventually drop to 35,000 square feet, said advertising vp Tom Flynn. The company's Van Nuys site opened at 30,000 square feet.

While MedClub still retains its warehouse atmosphere, MedChoice's changes have softened the club's appearance. Although the 18,000-square-foot size has remained constant, the newer locations are more store-like, with tile floors, fluorescent lighting and narrower aisles. Traditional H-frame warehouse racks are used as the primary fixtures, but traditional shelving is also used throughout much of the store. Pallets and bulk merchandising is found, however, above eye level.

MedClub expects to open three to four new sites during the first quarter. The company declined to disclose the locations of the new stores.

MedChoice anticipates opening nine locations this year in both existing and new markets, including some outside of California, Morgan said. Its five-year plan calls for some 50 stores to be in operation throughout the country.

Sears Stands Behind EDLP Policy

(Continued from page 2)

come under fire recently via various media reports casting doubt about the staying power of EDLP, suggesting that Sears will abandon its less than year-old policy and return to sales promotions.

Sears spokeswoman Kathy Guzfa stressed that Sears is committed to EDLP and will not abandon it. Recent ads on brand selection and customer satisfaction should not be construed to mean Sears is backing away from EDLP.

Everyday low prices was advertised heavily when Sears first announced the change but now that the pricing policy is almost a year old Sears doesn't want to "keep pounding out the same message," said Guzfa.

"We want to focus on other reasons for coming to Sears such as brand names and customer satisfaction. Just because we're not always talking about everyday low prices doesn't mean we're backing away from it. We can't focus all of our marketing effort on everyday low prices," she said, adding that EDLP will still be promoted.

Luria Plans Additional Jewelry Stores

(Continued from page 3)

its mix. The cataloger projects sales will increase 5 percent this year and that it will maintain the same gross margins and control expenses and inventories. "If we beat our conservative sales projections, 1990 can be a highly profitable year for us," he added.

The three new showrooms will actually be a net gain of one store as two units are replacements for older units in declining strip centers. Overall, Luria expected to have 75 to 80 showrooms by the turn of the century, a net increase of 25 to 30 units. In the 1980s, Luria grew from 16 showrooms to 51, a gain of 35 units.

The jewelry specialty stores will continue to be spotted in fashion malls. The cataloger has had some difficulties obtaining mall sites due to opposition from other jewelry retailers that didn't want to compete against Luria's prices. The situation has changed, he said, as mall owners, concerned about problems with failing retailers, have become more receptive to merchants like Luria.

Besides opening jewelry specialty stores, Luria last year switched to a commission salary for jewelry salesclerks in its showrooms. The move provided better service to customers and also resulted in the sales of $10,000 and higher merchandise, Peter Luria said.

Luria projects a $2 million to $2.5 million capital budget this year for the new stores and other capital expenditures.

Voss Moves Over to Staples

(Continued from page 3)

potential growth and its similarities to Wal-Mart, he said.

"They were the originators and the leaders of the office supply superstores. The management of the company executes well and has an excellent focus on the business: Management is extremely astute with what they want to do in the retail field," he said.

When Voss joined Wal-Mart in February 1975, Wal-Mart had annual sales of about $240 million, $40 million more than Staples' yearly sales right now.

In both cases, Voss started from "scratch" with endless potential for growth, an attractive and challenging position for him, he said.

Staples created the executive vp, sales and merchandising position six months ago and looked for a person with "relevant experience," explained Todd Krasnow, vp of marketing at Staples, noting that Staples sought a person with experience at a low-cost, highly efficient retail operation. Voss was always at the top of the list, he added.

In Voss, Staples landed an executive who has the experience of building a retail chain into a billion dollar operation; a man with the know-how to drive down costs and of finding more and better ways to deal with vendors. It was also important for Staples to find an executive who believes in the efficiencies and value of central distribution, said Stemberg.

Bush, Compton Resign From Key Positions at Rose's

(Continued from page 1)

opened 47 stores in Rose's markets during 1986 and another 26 stores in 1987. Half of Rose's stores are in North and South Carolina; Wal-Mart now operates 71 Wal-Mart and six Sam's Wholesale in these two states alone.

The chain devoted much of 1988 and 1989 to digging in its heels against market invasions. By the end of 1988, roughly 40 percent of the merchandising staff had been changed, including the general merchandise managers over soft lines and hard lines and four out of nine divisional merchandise managers.

The company started 1989 by defining focus departments considered to be high sales and profit generators, such as stationery, seasonal goods and jewelry. At the same time, the advertising approach was sharpened and specific category themes were featured, replacing what had been an omnibus approach.

Shortly after the new merchandising direction was established—and these departments were showing double-digit gains on a comparable store basis—Rose's lost its senior vp of merchandising for the second time in as many years. Robert Floum left to head Big Wheel; a year earlier John Little, now at Consolidated Stores, had held that post. Tony Cincotta, formerly of Stuarts, a New England regional discount chain, now holds the top merchandising post.

Store prototypes that draw attention to the focus categories were unveiled in the cities of Waldorf, Md., and Wake Forest, N.C., during the second half of last year. Sales results at these prototype stores are outpacing those at other chain stores, but the rollout, if it is to continue, will be slow.

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Glosser to Exit Ch. 11?

Buyout Hinges on Creditor Approval

By Richard C. Halverson

JOHNSTOWN, Pa. — Glosser Bros. could emerge from Chapter 11 bankruptcy by mid-April, with a new owner, Schottenstein Stores, if . . . .

And, Columbus, Ohio-based Schottenstein Stores could increase its presence in the East, picking up 17 Gee Bee discount stores and 18 Dollar Bargain closeout stores, if . . . .

The if: Glosser's creditors must agree to accept 55 cents on the dollar for $65 million to $70 million in trade and bank debts. That is the essence of a bankruptcy judge's decision last month to submit Schottenstein's buyout proposal for a creditors' vote.

If the deal goes through, Gee Bee and Dollar Bargain would continue to operate under their own names under the same management, said Glosser Bros. president Tom Zurilla. They would follow the same merchandising strategy—continuity goods for Gee Bee and closeouts for Dollar Bargain.

Terms of the Glosser Bros. agreement call for Schottenstein to pay 55 cents on the dollar to settle trade and bank creditor claims, as well as assume $6 million in secured debt. The closeouter would also pay any priority claims that surface before the deal closes.

Schottenstein would pay no cash to existing Glosser Bros. stockholders, Zurilla said. In exchange for their stock, they will receive a 10 percent stake in a new entity to be called Gee Bee Stores, he said. Zurilla said he would become president of the new corporation.

The creditor committee, which includes VF (Lee jeans) and Sunbeam, recommended approval, said William Schorling, a Pittsburgh lawyer representing the committee.

"It would be unusual for creditors to do anything other than take the recommendation of the committee," said Schorling, a partner in the firm of Klett, Lieber, Rooney and Schorling.

Officials of Schottenstein, including chairman Jerome Schottenstein, were unavailable for comment on their plans for Gee Bee. Dollar Bargain would be a natural fit for expansion of Schottenstein's wholesale and retail closeout operations.

Creditors have until March 16 to return their ballots, Zurilla said, and a bankruptcy judge has set a hearing for March 23 to consider their decision. If creditors approve, and the judge confirms their

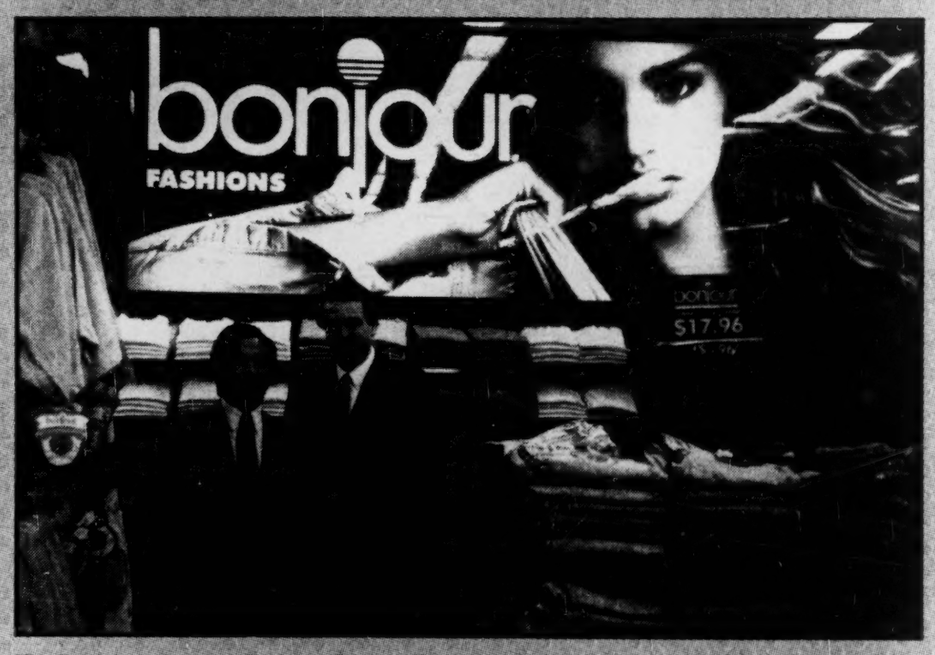
(Continued on page 119)

New Wal-Mart Vendor Store Among 36 Opened on Same Day

By Don Longo

CHARLOTTE, N.C. — Sometimes even an act of God can't stop the Wal-Mart juggernaut.

After being delayed by problems due to the destruction and upheaval wrought by Hurricane Hugo last fall, the second Wal-Mart "vendor store" opened here Jan. 31, just one month behind schedule.



***Wal-Mart denim buyer Steve Seto** and Bonjour president Charles Dayan expect big things at vendor store in Charlotte, N.C.* (DSN photo)

The vendor store—an experiment in which the discounter employs new ideas on merchandise display and fixturing suggested by its vendors—was one of 36 Wal-Marts to open in a geographical sweep from Arizona to Florida on the last day of the retailer's fiscal year.

David Glass, president and chief executive officer, told store associates, visiting headquarters executives and participating vendors gathered at the store—located in an upscale neighborhood just south of Charlotte's city limits—that the grand openings represent the largest number of Wal-Marts ever opened on a single day, topping the previous high of 24 opened exactly one year ago.

Wal-Mart unveiled its first vendor store about six months ago, a 110,000-square-foot unit in the tiny town of Janesville, Wis. "We've learned a lot from Janesville," said Glass. "We've incorporated here sort of a correction of errors."

The new 110,000-square-foot vendor store "should be renamed the Customer

(Continued on page 6)

Shakeout in Office Supply Segment Looms

Office Stop Enters Already Crowded Megastore Field

By Pete Hisey

TOWSON, Md. — "Industry shakeout? We plan to cause it."

With that volley, Thomas Klimback, president and ceo of the latest entry in the already crowded office superstore market, introduced the first of a projected 75 northeastern Office Stop office warehouses.

The company's 30,000-square-foot prototype, which opened in late January in this Baltimore suburb, will be joined in May by a unit in Westbury, Long Island.

Klimback's confidence is based on the successful track record of Office Stop's man-

(Continued on page 120)

***The Office Stop management lineup:** chairman Frank Denny, ceo Thomas Klimback, exec vp Frank Powers, senior vp, finance Jean Carlyle and senior vp, operations Larry Haven.* (DSN photo)

OfficeMax, Office World to Merge Into One Chain

By Laura Liebeck

SOLON, Ohio — OfficeMax, based here, and Office World, Great Neck, N.Y., last month agreed to merge their two office supply superstore chains under the OfficeMax name, becoming the first major consolidation story in the young industry segment.

Specific terms of the agreement were not released. However, OfficeMax president Michael Feuer said, "When the deal closes we'll have no debt." He did not elaborate.

In addition to the merger announcement, Feuer said OfficeMax was completing a $5 million private placement, the company's fourth in 18

(Continued on page 120)

Inside This Issue

Discount Stocks Beat Dow In '80s page 20

NHMA Show: The Beat Goes On page 49

Discounters Set To Exploit Crafts page 83

CES: New Items At Sharp Prices page 86

MARKETWATCH

K mart Invests in Technology, DCs

TROY, Mich. — K mart last month made major investments in advanced technology and improved merchandise distribution. The discounter ordered 1,000 Unisys Series 6000 computers and Intel i486 multi-processor systems as an upgrade for its K mart Information Network, now dubbed KIN II. K mart said the upgrade will provide its store personnel with capabilities that allow them to better serve customers and reduce expenses. These include advanced ordering systems, enhanced layaway operations, extended in-store inventory analysis and expedited cash handling. K mart also purchased a 90-acre site in Greensboro, N.C., on which it will build a new distribution center to serve 194 area K mart stores. The new facility, expected to total 1.5 million square feet, will be completed by 1991. K mart is also constructing a DC in Ocala, Fla.

Wal-Mart Sells dot Drug Store Division

LENEXA, Kan. — Wal-Mart has sold its 14-unit dot discount drug stores to existing dot management for an undisclosed amount. The newly formed Dot Drug Stores Inc. is headed by Ron Benjamin, president, who estimated that 1990 sales will reach $100 million. "Wal-Mart built the dot business around the pharmacy services," said Benjamin in a company statement. All dot stores, ranging between 20,000 square feet and 25,000 square feet, have full-service pharmacies. While Wal-Mart would not comment on either the sale price nor the reason for selling the division, it was widely known that the company had anticipated a higher return on investment for the dot division.

Hills Makes Plans for $400 Million Loan

CANTON, Mass. — Hills plans to borrow up to $400 million for working capital over the next five years from Taiyo Kobe Bank, Tokyo. The final agreement with the Japanese bank, expected to be signed by the end of March, will replace Hills' $240 million working capital agreement with Bankers Trust Company. The chain said it turned to Taiyo because it offered better terms for long-range financing than Hills could obtain in the United States. The deal represents a business-banking relationship, Hills said, and not a Japanese equity investment.

Service Gets Set to Reduce Debt Load

NASHVILLE, Tenn. — Service Merchandise, acting to reduce the debt from last year's $600 million recapitalization, plans to use "excess cash flow" next month to prepay about $35 million of a term loan used to fund the final restructuring. The disclosure came as the catalogeer reported a 6.9 percent boost in sales last year but a 5.9 percent earnings dip due to increased operating costs and interest expenses. Sales in the fiscal year ended Dec. 30, 1989, went to $3.3 billion from $3.1 billion, while earnings slipped to $72 million from $76.5 million.

Sears to Test Auto Centers in Japan

CHICAGO — Sears will test automotive service centers in Japan later this year. The centers, called Tires Plus, are the result of a joint venture between Sears and Japanese retail, real estate and financial concern Saison Group. Three units will open this year in three towns within 100 miles of Tokyo. Tires Plus will provide battery installation, quick lubes, air conditioning service, car wash and, of course, tire changing and alignment.

Tons of Toys Discusses Acquisition

WAREHAM, Mass. — Tons of Toys, a 23-unit toy specialty chain forced into involuntary Chapter 11 bankruptcy last month, is talking to Karl's Toys, Los Angeles, as well as to an unidentified investor group, about being acquired. Last fall, creditors initially attempted to force Tons of Toys into Chapter 7, or dissolution, bankruptcy. Karl's operates 28 stores, while Tons of Toys, already has closed one unit, will shut another by the end of the month and likely will close three more, for a reduced store count of 18.

The Wholesale Club Opens 27th Unit

INDIANAPOLIS — The Wholesale Club plans to open unit No. 27 this fall in Niles, Ohio, its ninth warehouse club in the Buckeye State. The Wholesale Club, which now has 23 units, is expected to open clubs in Menominee Falls, Wis., near Milwaukee, and Greenwood, Ind., near Indianapolis, this spring, and one in Racine, Wis., this summer.

Ward's Brennan Cites Challenges Facing All Retailers in the 1990s

By Pete Hisey

LAS VEGAS, Nev. — It was a great week for Montgomery Ward chairman Bernard Brennan. As the keynote speaker at the Consumer Electronics Show held here this month, he was a hit with CE retailers and suppliers. Less than a week later, at the annual convention of the National Retail Merchants Association, Ward's adaptation to everyday low pricing was held up as a textbook success story by a panel of Harvard Business School retail experts and industry consultants.

Bernard Brennan

At CES, Brennan noted that the consumer of the 1990s will demand, more than ever, specialization, value and service from retailers—a direct progression from a blueprint created in the 1980s.

The 1980s were marked by five distinct trends, Brennan commented, including the rise of specialty retailers, the growth of discounters in small-ticket electronics, increased competition throughout the entire retail industry, the emergence of a new generation of entrepreneurs and leadership, and the availability of investment cash due to deregulation.

"Prosperity, however, brings along the risk of complacency, hubris and sometimes greed," Brennan said. "We enter the '90s facing substantial challenges." Among those will be a difficult economy, a "vastly" overstored country and little product innovation in the near term.

"A major factor that will affect the '90s is the graying of the consumer base," he added. "This change in demographics to an older population is developing the concept of cocooning—that is, spending a great deal of time in one's home."

That should increase the market for "home theater" systems, but it will also increase the need for more sophisticated products that are easier to use and service.

Retailers must adapt to succeed in the market of the last decade of the 20th century, Brennan said. First, they must become low-cost providers to compete with efficient superstores. They must also train and excite their sales force, and increase service both during and after the sale. Retailers must invest

(Continued on page 119)

Good Guys to Invade Los Angeles

CE Retailer Reports Whopping Same Store Sales Increases

SAN FRANCISCO — The Good Guys, the consumer electronics specialty chain based here, reported sales rocketed 49 percent to $87.4 million during its fiscal first quarter ended Dec. 31, 1989. More impressive, same store sales increased 25 percent.

In addition to reporting record increases, The Good Guys announced a major expansion into the Los Angeles market, where it will meet Silo and Circuit City, among others. (The chain currently operates 22 stores; most are in the San Francisco market).

According to company chairman and president Ronald A. Unkefer, The Good Guys will open between 10 and 12 units in Los Angeles over the next two years.

"Los Angeles is the home of the entertainment industry and the largest consumer electronics market in the country," he said. "Having firmly established our leadership position against strong national competition in Northern California, our entry into the Southern California market is a logical next step for us."

Most L.A. Good Guys stores will be located in upscale neighborhoods.

The Good Guys operates 22 stores in the San Francisco and Reno, Nev., markets with more stores planned for this year.

IN THIS ISSUE

APPAREL 37

Big & Tall Reaches New Heights 37
Marketwatch 37
Bonjour Expands Into Men's Wear 38
Moret Takes On Dick Tracy Line 38

HOME PRODUCTS 49

NHMA Show: The Beat Goes On 49
Marketwatch 49
Luria: Catalogers Must Fight Rivals 65
Discounters to Exploit Crafts Craze 83
New Styles Pad Bath Scale Sales 83
CES Offers New Items at Sharp Prices 86
Home Office Entries Energize CES 90

HARD LINES 95

Toy Fair Steps Up in Size, Length 95
Marketwatch 95
Toymakers To Soup Up Hyper Cars 98
Dominance in Pre-School Up for Grabs 103
BTS Features Fashion Niche Products 106
DSN, Drug Store News Host Panel 106
Non-Occasion Cards Catch On 110

DEPARTMENTS

Classified 117
Columns:
Buyers & Sellers 8
Washington Report 8
Taking Stock 6
Editorial 8
FinanceWatch 116
New Products:
Hard Lines 111

EDITORIAL

Promotions Make Sense for Discounters

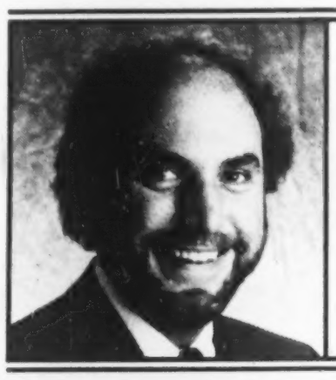
"February is double coupon month," proclaimed the front page of Bradlees' recent circular, which showed a collage of dozens of name brand candy, household and H&BA products.

"Big deal?" you say. "Why do discounters continue to promote such 'low-margin' items?" "Why do they continue to add sku's in food, non-perishables, etc."

Well, this method of using double coupons and name brand products as traffic builders is still viable. Believe it or not, it still works.

In fact, candy, hair/personal care, and household paper products are the top three traffic builder products, according to *DSN*'s exclusive Traffic Builders Study, conducted by Chicago-based research firm Leo J. Shapiro & Associates. The 4th annual study is based on interviews with almost 2,300 shoppers from seven markets. There is a wealth of useful information in the study, which will be published in its entirety in *DSN*'s February 26 issue.

- Top traffic builder brands;
- Top traffic builder categories;
- Percent of discount department store shoppers who knew of a sale before visiting the store;
- Percent of those shoppers that made a purchase;
- Percent of shoppers who are not frequent customers.



TONY LISANTI
Editor

Associate editor Mary Ellen Kelly, who was assigned the Traffic Builders project, has spent several weeks interpreting the results of the study. "Discounters continue to get more bang for the buck in terms of their ad dollars, when compared with other retailers surveyed," observed Kelly. "Department stores, for example, advertised more often but fewer customers bought anything, and those that did make a purchase spent less on promoted items in 1989 than in the previous two years."

I believe this trend of promoting name brand candy and household products will continue. In fact, I've said it before and I'll say it again: food will become the most important traffic builder for discounters in the 1990s.

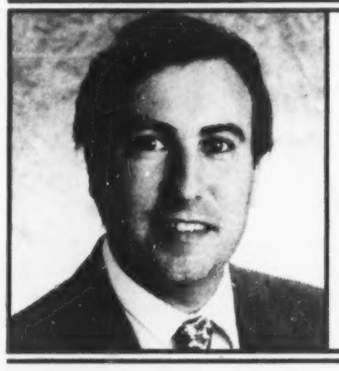
BUYERS & SELLERS

Getting the Goods on Who Imports More

So who imports more merchandise, K mart or Wal-Mart?

In an article on Wal-Mart's Buy American program (*DSN*, Dec. 18, 1989), *DSN* pointed out that while the retailer has reduced imports by about 5 percent over the last four years, about 25 percent to 30 percent of everything Wal-Mart sells originates from overseas. Analysts we talked to estimated that those percentages represent about twice as much as what K mart imports.

That published comment drew a reaction from Wal-Mart's corporate and public affairs director Don Shinkle. He pointed out that Wal-Mart's own research shows that K mart actually imports quite a bit more than the Bentonville retailer. Using 1989 Bond for Duty Payments as his yardstick, Shinkle said K mart paid $124 million compared to Wal-Mart's $44 million, indicating, to Wal-Mart at least, that K mart imported nearly three times as much overseas merchandise.



DON LONGO
Exec Editor

However, deciding which retailer is the larger importer of goods isn't as clear-cut as Shinkle says.

Mike Schmitz, legal counsel for the U.S. Customs Dept., told *DSN* associate editor Richard Halverson that Bond for Duty Payments aren't comparable to overall dollar value of merchandise imported. For example, one retailer may be negotiating a better deal with a bonding company or may pay less on bond premiums for the same value of goods. Also, bond premiums paid might not be parallel with actual duties paid, if one importer deals with countries with low duty rates and another with goods from a country with high-duty rates.

The only true figure that would settle the matter is volume of goods imported. But, Schmitz said customs can't disclose those figures under federal law.

Citing the confidentiality of such figures, a K mart spokesman wasn't much help in clarifying the situation. He did say imports are trending down at K mart, but refused to get into a debate about which chain is the larger importer of goods.

DSN inadvertently muddled the matter further by its report in the Dec. 18th Wal-Mart issue.

At this point, I'm willing to concede Shinkle's point that Wal-Mart does not import as much merchandise as K mart. After all, K mart is bigger than Wal-Mart and generates more total sales. It stands to reason that the total value of its imported merchandise would be greater.

But, the truer measure of each retailer's commitment to buy American is what percentage of total sales is imported goods. Since both K mart and Wal-Mart have a positive story to tell in this area, it would be great public relations for each chain to reveal this figure. How about it? Who goes first?

WASHINGTON REPORT

Ruling on Fair Trade Leaves a Foul Taste

During the darkest days of the Great Depression desperate businessmen pressured equally desperate government officials to try some radical maneuvers aimed at keeping the foundering economy afloat.

One of the more regrettable of those experiments in marketplace manipulation was "Fair Trade"—a sweet-sounding euphemism for legalized resale price maintenance.

Fair Trade began falling out of favor as discount stores became a factor in the marketplace during the '50s and '60s, and by the mid-1970s Congress repealed the antitrust law exemptions that allowed legalized resale price fixing.

However, for the past six years the U.S. Supreme Court has been steadily chipping away at the existing legal barriers to Fair Trade-style resale price maintenance. Last month a new decision may have delivered the coup de grace.

That case involved a drug chain's battle against a New Jersey law prohibiting "premiums or rebates" in connection with the sale of drugs. The chain, Consumer Value Stores, advertised a temporary price cut on prescription medicines and was promptly charged with violating the state law.

A New Jersey judge ruled in favor of CVS and struck down the anti-discounting law as unconstitutional. But that decision was reversed, setting the stage for a final showdown before the U.S. Supreme Court. Unfortunately it never took place. The high court refused to hear the chain's appeal and New Jersey's ban on price-cutting remains on the books.

KEN RANKIN

Here's the problem: the New Jersey ruling concluded that states have a right to adopt laws designed to serve the public health, safety or welfare, even if they are clearly anti-competitive. Indeed, the Jersey court held that such statutes should be sustained if they have "any conceivable rational purpose."

Given that much of a judicial loophole, the advocates of Fair Trade should be able to concoct a justification for state restrictions on price competition in all retail fields.

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DSN Stock Index: Modest Growth Caps Volatile '80s

By Neil Nordby
Special to DSN

Stocking up was for the icy veined in the aftermath of Black Monday. But for those who did, they were handsomely rewarded in 1989.

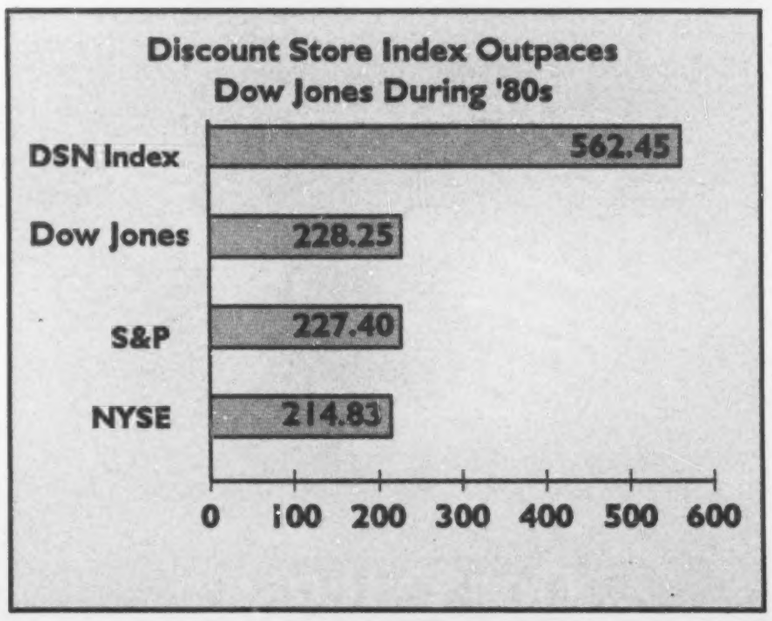
And investors in the discount store field certainly had their share of racing pulses last year, as the year-to-date trajectory of Costco (not to mention a rash of takeover targets including Pace Membership Warehouse) can attest.

For many discount store shareholders, 1989 was a mixed bag. For example, while Costco was the leader of the pack with a 122.05 percent advance, in stark contrast stood S.E. Nichols, which cascaded 72.41 percent to $1 a share.

The bottom line: the *Discount Store News* Index lagged behind its widely monitored brethren in 1989 (the Dow Jones industrial average and S&P 500), as it posted a 178.94 point, 12.63 percent advance en route to a close of 1595.77.

In contrast, the advance of the Dow Jones was considerably more dramatic. In 1989, the Dow Jones flexed its muscles like never before, catapulting 584.63 points, or 26.96 percent, to 2753.20.

In similar fashion, the S&P 500 displayed its own fireworks, forging ahead 75.68 points, or 27.25 percent, to finish at 353.40—its third-largest percentage gain in the last 30 years.



Why did the *Discount Store News* Stock Index lag the national competition last year?

Much of the blame can be pointed at disappointing sales results for many retailers, which prompted shareholders to unload their shares. Among some of the walking wounded in this sector at quarter, year and decade-end include:

- Highland Superstores (down 40.35 percent on disappointing sales);
- Ames Department Stores (down 25.9 percent amid losses from indigestion of Zayre last year);
- S.E. Nichols (down 72.4 percent and the largest percentage loser of the lot);
- Stuarts Department Stores (down 45.45 percent to $2.25).

All of these chains experienced disappointing sales and/or cash flow problems at one time or another throughout the year.

But not all was grim last year. Let's take a look at some 1989s stellar performers:

Largest dollar-gainer: This honor went to Dayton Hudson, as investors continued to add this retailer to their portfolios in the wake of unsuccessful takeovers for the firm in 1988.

It hasn't hurt that D-H's dominant operation, Target, is one of the two top perform-

(Continued on page 23)

Major Indexes

	Close 12/31/79	Close 12/30/88	Close 12/29/89	Net Change In Decade	Percent Change In Decade	Net Change In Year	Percent Change In Year
Discount Store Index	240.89	1416.83	1595.77	1354.88	562.45	178.94	12.63
Dow Jones Industrial Average	838.74	2168.57	2753.20	1914.46	228.25	584.63	26.96
Standard & Poor's 500-Stock Index	107.94	277.72	353.40	245.46	227.40	75.68	27.25
N.Y.S.E. Composite	61.95	156.26	195.04	133.09	214.83	38.78	24.82

Source: Nordby International Inc., Boulder, Colo.

Discount Industry Chain Stock Analysis Table

Exch	Company	Ticker Symbol	Closing Price 12/31/79	Closing Price 12/30/88	Closing Price 12/29/89	Net Change In Decade	Percent Change In Decade	Net Change In Year	Percent Change In Year	Earnings /Share PE Ratio	Last 12 Mos.	Annual Dividend Rate	Annual Dividend Yield	52-Week High	52-Week Low
NYS	Alexander's	ALX	6.38	67.50	55.50	49.13	770.59	−12.00	− 17.78	24	2.32	0.00	0.00	71.75	50.25
NYS	Ames Dept. Stores	ADD	1.69	14.00	10.38	8.68	512.46	− 3.63	− 25.89	− 29	−0.36	0.08	0.77	20.00	8.75
OTC	W. Bell	BLLW	3.17	5.50	4.00	0.83	26.18	− 1.50	− 27.27	67	0.06	0.00	0.00	5.88	3.25
NYS	Best Buy	BBY	NA	8.38	6.00	—	—	− 2.38	− 28.36	86	0.07	0.00	0.00	11.50	5.63
OTC	Brendle's	BRDL	NA	5.63	7.75	—	—	2.13	37.78	−129	−0.06	0.00	0.00	8.63	5.50
NYS	Burlington Coat	BCF	NA	17.13	24.63	—	—	7.50	43.80	18	1.39	0.00	0.00	24.63	16.75
OTC	Child World	CWLD	NA	14.50	12.38	—	—	− 2.13	− 14.66	17	0.74	0.00	0.00	19.75	11.50
NYS	Circuit City Stores	CC	0.26	17.69	21.75	21.49	8265.38	4.06	22.96	14	1.59	0.08	0.37	27.00	17.38
NYS	Consolidated Stores	CNS	NA	6.50	3.88	—	—	− 2.63	− 40.38	15	0.26	0.00	0.00	8.38	3.50
OTC	Costco	COST	NA	15.88	35.25	—	—	19.38	122.05	34	1.04	0.00	0.00	35.25	15.75
NYS	CUC Int'l	CU	NA	17.50	14.50	—	—	− 3.00	− 17.14	− 11	−1.28	0.00	0.00	20.75	10.50
NYS	Dayton Hudson	DH	10.59	39.63	63.63	53.03	500.58	24.00	60.57	15	4.37	1.12	1.76	67.00	38.75
OTC	Dollar General	DOLR	3.37	9.00	10.38	7.01	208.32	1.38	15.28	17	0.61	0.20	1.93	12.75	8.38
NYS	Family Dollar	FDO	1.89	13.75	10.63	8.74	462.47	− 3.13	− 22.73	14	0.78	0.36	3.39	14.13	9.75
OTC	50-Off Stores	FOFF	NA	2.19	4.50	—	—	2.31	105.67	10	0.45	0.00	0.00	6.63	1.75
OTC	Fretter	FTTR	NA	4.63	3.38	—	—	− 1.25	− 27.03	42	0.08	0.00	0.00	6.38	2.88
ASE	Greenman Bros.	GMN	0.58	4.38	5.88	5.30	919.97	1.50	34.29	16	0.36	0.00	0.00	8.38	4.25
OTC	Highland Superstores	HIGH	NA	7.13	4.25	—	—	− 2.88	− 40.35	− 15	−0.29	0.00	0.00	7.88	3.75
NYS	Hills	HDS	NA	8.13	5.25	—	—	− 2.88	− 35.38	− 29	−0.18	0.00	0.00	9.88	5.25
ASE	Home Shopping Net.	HSN	NA	4.50	7.25	—	—	2.75	61.11	− 45	−0.16	0.00	0.00	7.63	3.00
OTC	HQ Office Supply	HQOSA	NA	2.22	4.81	—	—	2.59	116.90	− 6	− 0.81	0.00	0.00	7.00	2.00
NYS	Jamesway	JMY	NA	8.63	6.38	—	—	− 2.25	− 26.09	18	0.36	0.08	1.25	12.25	6.13
NYS	K mart	KM	15.83	35.13	35.00	19.17	121.07	− 0.13	− 0.36	10	3.67	1.64	4.69	44.88	32.50
NYS	Kroger	KR	NA	8.88	14.75	—	—	5.88	66.20	− 8	− 1.87	0.00	0.00	19.75	8.38
ASE	Lionel Corp.	LIO	NA	4.88	5.00	—	—	0.13	2.56	45	0.11	0.00	0.00	8.50	4.50
ASE	L. Luria & Son	LUR	5.89	11.13	9.50	3.61	61.40	− 1.63	− 14.61	15	0.62	0.00	0.00	11.63	9.00
OTC	Luskins	LUSK	NA	1.63	1.50	—	—	− 0.13	− 7.69	− 12	−0.13	0.00	0.00	2.88	1.25
NYS	May Dept. Stores	MA	8.00	36.25	47.88	39.88	498.51	11.63	32.07	14	3.37	1.40	2.92	52.63	34.63
NYS	Melville Corp.	MES	6.88	37.19	44.63	37.75	549.09	7.44	20.00	14	3.29	1.28	2.87	53.63	36.13
OTC	Meyer (Fred)	MEYR	NA	16.13	18.50	—	—	2.38	14.73	15	1.27	0.00	0.00	23.00	15.63
ASE	Newmark & Lewis	NLI	NA	3.75	3.75	—	—	0.00	0.00	16	0.23	0.00	0.00	7.50	3.50
ASE	Nichols (S.E.)	NCL	2.96	3.63	1.00	−1.96	−66.16	− 2.63	− 72.41	0	−2.87	0.00	0.00	4.25	0.88
OTC	Office Club	OCLB	NA	9.44	13.63	—	—	4.19	44.36	47	0.29	0.00	0.00	17.00	8.75
OTC	Office Depot	ODEP	NA	10.71	18.00	—	—	7.29	68.10	58	0.31	0.00	0.00	27.25	10.50
OTC	Oshman's Sport Goods	OSHM	7.50	15.00	9.50	2.00	26.67	− 5.50	− 36.67	37	0.26	0.20	2.11	20.00	8.75
NYS	Pep Boys	PBY	0.77	12.13	11.88	11.10	1434.24	− 0.25	− 2.06	18	0.66	0.08	0.67	17.25	10.50
OTC	Pic 'n Save	PICN	2.24	12.25	13.13	10.89	487.25	0.88	7.14	12	1.11	0.00	0.00	18.88	11.25
OTC	Price Company	PCLB	NA	37.50	46.25	—	—	8.75	23.33	20	2.36	0.00	0.00	49.50	34.75
OTC	QVC Network	QVCN	NA	8.50	16.50	—	—	8.00	94.12	35	0.47	0.40	2.42	21.25	8.00
OTC	Ross's Stores (cl a)	RSTO	1.36	7.75	6.13	4.76	350.04	− 1.63	− 20.97	15	0.42	0.16	2.61	10.00	6.00
OTC	Ross's Stores (cl b)	RSTOB	1.28	7.63	6.38	5.10	399.22	− 1.25	− 16.39	15	0.42	0.16	2.51	9.75	5.88
OTC	Ross Stores	ROST	NA	10.50	14.25	—	—	3.75	35.71	11	1.26	0.00	0.00	24.63	10.13
NYS	Sears	S	18.00	40.88	38.13	20.13	111.81	− 2.75	− 6.73	13	2.89	2.00	5.25	48.13	36.50
NYS	Service Merchandise	SME	4.54	11.92	9.38	4.83	106.45	− 2.54	− 21.32	6	1.55	0.04	0.43	13.00	6.50
OTC	Strawbridge & Cloth.	STRWA	4.57	30.37	33.00	28.43	622.10	2.63	8.66	11	3.12	1.08	3.27	40.25	29.50
OTC	Stuarts Dept. Store	STUS	NA	4.13	2.25	—	—	− 1.88	− 45.45	− 38	−0.06	0.00	0.00	4.88	1.88
NYS	Super Valu Stores	SVU	5.97	24.50	29.00	23.03	385.84	4.50	18.37	15	1.89	0.60	2.07	30.13	22.63
NYS	Syms	SYM	NA	10.38	11.88	—	—	1.50	14.46	11	1.09	0.00	0.00	14.00	10.13
NYS	TJX Cos.	TJX	NA	NA	15.38	—	—	—	—	13	1.14	0.40	2.60	30.13	13.88
NYS	Toys "R" Us	TOY	1.68	24.75	35.88	34.20	2041.79	11.13	44.96	25	1.41	0.00	0.00	40.25	24.00
NYS	U.S. Shoe	USR	2.98	24.75	20.13	17.15	575.56	− 4.63	− 18.69	18	1.14	0.44	2.19	27.50	16.38
NYS	Weban	WBN	NA	NA	12.00	—	—	—	—	13	0.96	0.00	0.00	20.00	10.00
NYS	Wal-Mart Stores	WMT	1.09	31.38	44.88	43.79	4032.14	13.50	43.03	26	1.72	0.20	0.45	44.88	30.00
OTC	Warehouse Club	WCLB	NA	1.63	2.88	—	—	1.25	76.92	72	0.04	0.00	0.00	5.00	1.63
OTC	Wholesale Club	WHLS	NA	7.75	15.50	—	—	7.75	100.00	27	0.58	0.00	0.00	16.63	7.38
OTC	Wisconsin Toys	WTOY	NA	8.25	12.50	—	—	4.25	51.52	20	0.61	0.00	0.00	11.50	8.00
NYS	Woolworth	Z	12.56	51.75	63.88	51.31	408.44	12.13	23.43	14	4.61	1.88	2.94	72.25	48.38

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split. (cl a) = Class A stock. (cl b) = Class B stock.
Source: Nordby International Inc., Boulder, Colo.